

# Audit's<sup>®</sup> NEWS ANALYSIS OF SECURITIES OF REAL ESTATE INVESTMENT TRUSTS

# Realty Trust Review

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## BI-MONTHLY RELATIVE APPEAL RANKINGS & ADVISORY

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## PORTFOLIO ADVISORY: BANKRUPTCY RISK HIGHEST IN FOUR YEARS FOR TROUBLED TRUSTS

That sounds like a scare headline -- but the facts say it's not.

Investors and traders in both bonds and stocks of troubled trusts are thus served notice that risks of long-term illiquidity are rising rapidly in restructurings. Positions are hardening, for banks, trust managers and bondholders alike. Rational action seems to have gone on vacation early.

Traders in both bonds and stocks are so intent upon squeezing the last few points out of the potential after-market jump in prices of old bonds after a tender succeeds that they forget that some tenders can -- and do -- fail.

Investors who bought at par many years ago are also burning at being squeezed out at small fractions of principal -- in effect underwriting recovery for shares.

Both groups forget that holding out in a play for recovering 100¢-per-dollar at a relatively near-term maturity is a very high-stakes game.

Less than 14 months ago holders of Chase Manhattan Mtg. 7-7/8% senior notes were offered 80¢-per-dollar.

Nearly three-fourths of them opted to play for an extra 20 points and held.

But neither the trust nor the sponsoring bank came up with the cash on the May 1 maturity. Bankruptcy becomes a growing possibility as each day passes.

First, banks have less to fear from bankruptcy of Chase or any other trust.

Our annual survey of bank lending to REITs, published in the April 17 issue of REAL ESTATE DISCLOSURE DIGEST, makes clear that banks have written down their REIT loans far enough to make bankruptcy a thinkable alternative for some banks.

Second, the worth of "sponsorship" is being devalued daily.

Events of the past two weeks make very clear that Chase Manhattan Corp. and Bank yearn to abdicate their role as sire of the helpless trust bearing their name.

They didn't come up with the cash May 1 as most speculators and observers expected and each passing day without impact on the bank makes running out easier.

And if Chase can walk out on its progeny and investors who trusted in the name,

## OUR SISTER SERVICES - SPECIAL REPORT ON CONTINENTAL MORTGAGE INVESTORS

*Nearly 30,000 public stock and bond holders haven't had a financial report from Continental Mortgage Investors since Dec. 1976 -- because of bankruptcy law loopholes. We've penetrated that silence and have issued a special REIT EVALUATION on CMI, now recast in role of national developer.*

*Single copy: \$20 prepaid*

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then other banks and institutional sponsors are doubtless encouraged to depart.

Some have already done so: Hartford National Corp. sold its 31% stake in HNC Mtg. & Realty and that trust continues as independent Westport Co.

Bank sponsors have put varying distances between themselves and Atico Mtg., Barnett Mtg. and Barnett-Winston Inv., First Virginia Mtg., NJB Prime.

So much for noblesse oblige.

But sponsors have stayed in at IDS Realty and State Mutual Inv.

Third, default on a debt maturity isn't automatically the end of the line.

First Mortgage Investors already has survived non-payment at maturity of two senior note issues. Holders accepted three-year installment payout and five-year serial notes in these cases.

Something similar could carry Chase Manhattan Trust over its hurdle.

Yet investors are holding back on current tender/exchange offers. Examples: Midland Mortgage Investors has gotten only 19% of holders to go along with its current exchange (RTR March 23) after over eight weeks since beginning Mar. 2. It seeks a minimum 64% of the 8% senior subordinated notes in an offer extended to May 30.

NJB Prime Investors got only about 31% of \$6.2 million of two remaining bonds to take one of three alternatives. That offer (RTR, April 28) is extended to May 19.

And Tri-South Mortgage got surprisingly low acceptances in its first round of offering a new 10% senior convertible (RTR, April 14). About 19% of 7% convertible holders agreed to take 50% of par in the new notes but only 9% of 7-3/4% noteholders opted for 65% of par. That tender lacked a clear first-round deadline but the new May 24 expiration is the final date for tenderers to get interest on the new bond.

CORRECTION: We erred last issue in saying the Colwell Mortgage Trust will pay 50% of par in cash for its subordinated debt issues in its bankruptcy settlement. It actually will be paying 40% of par for the 8.2% senior subordinated notes and 34% of par in cash for the 6½% convertible debentures. Holders of both issues receive 80 shares of a new preferred similar to common in all respects except for a \$7.50/sh. liquidating preference. The preferred is probably worth no more than \$1 market value, so there's no apparent play in buying the 8.2s in the market at quotes about 57. All trust assets are pledged to banks who get 8% interest in the settlement.

#### TENDER/EXCHANGE OFFERS: BAY COLONY, C&S REALTY BEGIN TENDERS AMID TOUGHER MARKET

Bay Colony Property Co. is offering through May 22 to exchange \$1,000 principal of its 8½% senior subordinated debentures for \$1,050 face amount of a new 8½% senior subordinated debenture due 1989, plus 20 shares of common. BAY says 75% of holders must take the stretch-out package else lending banks won't complete a pending credit agreement. And the offer won't be extended beyond June 1 in any event. The proposed new debentures have a sinking fund that gives them a 13.8% yield to maturity over average life, fairly comparable to the 16%-17% yield to maturity theoretically possible on the old 8½s with a 1981 maturity. But that's comparing apples and oranges to us because if less than 75% take the stretch-out, bankruptcy becomes a very real threat and the old 8½s have zero yield to maturity.

Our advice: Take the new bonds.

Citizens & Southern Realty Investors is offering holders of its 6-3/4% subordinated debentures maturing Oct. 15, 1978 the option of taking either a) \$50 per \$100 face amount in cash or b) \$15 cash plus \$85 principal of a new 3%-7% sinking fund debenture due 1993. The pivotal point is that holders who don't tender can expect to get full principal plus \$10.50 accrued unpaid interest on Oct. 15 -- if 75% of holders take one of the two options. This means a package of old debentures could be split 75%-25% and have a current value of around 65. We think there's no sense in taking the risk of doing anything other than splitting holdings 75%-25%, taking 50% or par in cash now on the 75% and holding the 25% to maturity in five months.



## RELATIVE APPEAL RANKINGS AND LATEST RESULTS

Relative Appeal (RA) Rankings, shown in the extreme left column, give Audit Investment Research's current view of relative attractiveness of current share purchases. All trusts are ranked from 1 to 5 based upon dividend and capital preservation outlook. Non-dividend paying trusts are designated with an "N" beside their ranking. Each trust comment contains brief advice on suitability of both shares and bonds. Average market risk is assumed for all share purchases. Changes in rankings are indicated by ↑ UP ↓ DOWN.

Relative Appeal Rankings mean:

- 1--Highest appeal with lowest market risk; Dividend outlook stable to up, or may be resumed shortly,
- 2--Above average appeal, somewhat higher market risk; Dividend increases or resummptions expected over 1-2 years.
- 3--Average appeal and market risk; Dividend fluctuates or resummptions possible longer term.
- 4--Below average appeal, high market risk; Dividend cuts or omissions possible.
- 5--Least appeal; Dividends in peril or not foreseen; Serious problems: SEC trading halt; no auditor's opinion; serious debt defaults; Chapter XI; negative equity; banks calling loans.

NON-DIVIDEND paying trusts are not recommended for income investors, but may have special trading appeal as speculations upon quick price moves based on dividend resumption, trust recovery, money market rates or other news.

Portfolio shows: invested assets in millions of dollars (M); % of problem, non-earning assets; & property type mix.

Financing shows: leverage ratio of all debt to shareholder equity (over 20-to-1 ratio shown as "high leverage"); current financing arrangements.

Results are latest quarter earnings and dividends. Share amounts are shown unless indicated as million dollars (M). EPS=earnings per share; CFS=net cash flow per share. Data, rankings and advice reviewed bimonthly. ("Date reviewed" shows latest review in either Realty Trust Review (RTR) or comprehensive REIT Evaluation (EVAL)).

RA--TRUST (Date reviewed Type FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

- 3N-AMER CENTURY (EVAL 12/14/7-Mtg/Forcl prop-June FY) Port.: \$117M, 36% non- & 27% low earn; 67% foreclosed; Mix: 14% condos, 18% land, 33% office, 17% hotel. Financing: 6.3 leverage; \$67M bank debt at 5% minimum or net income, to 10/1/78, + contingent int. for 10 yrs. Results: Mar. Q d7c after 15c extra. items. Condo sales strong. Bonds: Spec. yield. Shares: Hold, moderate recovery at 46% below book value.
- 4N-AMER FLETCHER (EVAL 3/7/8-Mtg/Forcl prop--Jan FY) NON-QUAL TRUST. Port.: \$77M, 93% nonearning & reduced rate; 75% foreclosed; Mix: 33% condos, 33% land & devel. Financing: \$2.5M neg. equity; \$44M bank debt to 7/31/78 at 4% inter. with 2% cut if prepayments met. Results: Jan. Q EPS \$1.06 after 89c/sh. int. forgiven; Jan FY d\$1.03. No auditor's opinion '77. Shares: Trading; ASE delisted.
- 4N-AMER REALTY (EVAL 7/29/7-Prop.&Mtg.-Sep FY) NON-QUAL TRUST. Port.: \$39M, 34% nonearning; Mix: 19% mtgs, 74% equity, 7% foreclosed; 40% hotels/motels, 29% land. Wash., D.C. area. Financing: 3.8 leverage; \$13.1M notes secured by assets; bank debt being restructured. No 1977 auditor's opinion. Results: Dec. Q EPS 58c after 62c land sale gain. Bonds & Shares: Trading; recovery prospects better.
- 4N-API TRUST (No review-Property-Mar FY) Port.: \$47M, E10% nonearning; 79% in property, most net leased, & 21% in mtgs. Financing: 4.8 leverage; 46% by mortgages on property, 54% short-term loans. Results: Dec. Q EPS d47c after 44c loss prov; No Div. Shares: Jeffrey Schultz et al bought 197,000 shares, 19%. Sophisticated play on equity values.
- 4N-ATICO MTG. (EVAL 6/17/7-Mtg/Forcl prop.-Oct FY) NON-QUAL TRUST. Self-adm. Port.: \$128M, 72% non- & 17% low-earn, 80% foreclosed; Mix: 51% apts/condos, 27% land; 90% Fla. Financing: 10.2 leverage; one bank balks at new \$72M bank credit to accrue at prime rate, causing default. Results: Jan. Q EPS d57c. Bonds: Feb. int. 6 3/4% default. Shares: Avoid or speculate on resolving bank pressure. Changing name to South Atlantic.
- ↓ 3N-ATLANTA NATL (EVAL 12/14/7-Mtg/Forcl prop-Aug FY) NON-QUAL TRUST. Port.: \$28M, 59% nonearn; 34% foreclosed. Mix: 18% medical, 23% condo, 30% apts.; 22% GA; 29% FL; 28% TX. Financing: 0.9 leverage; \$10.6M bank debt to 1/81 at 132% of prime, with cut to 115% of prime possible as debt repaid; Assets pledged. Results: Feb. Q EPS d4c. Shares: Fair recovery speculation at 46% below book value.
- ↓ 3 -BAIRD & WARNER (EVAL 12/14/7-ST mtg.-July FY) Port.: \$47M, 24% nonearn; 4% foreclosed; 32% indust., 17% condos, 15% apts. New commitments. Financing: 1.5 leverage; Bank lines \$32M (\$13M borrowed). Dividends: Paid two of four 3c qtrly. from FY'77 income. Results: Jan. Q EPS d59c after 61c loss provision. Converts: Speculative yield. Shares: Buy/hold for low yield & L/T recovery at 52% below book.
- 2 -BANKAMERICA RLTY (EVAL 7/29/7-Prop.&Mtg.-July FY) Port: \$201M, 21% nonearning; Mix: 44% property; 27% apts., 20% shop. ctrs., 20% office, 14% hotel. Making new commitments. Financing: 2.3 leverage; \$50M comm. paper, \$16M bank notes, \$26M secured mtgs. Results: Jan. Q EPS 18c. Div. 15c unch. Converts: For yield. Shares: Buy/hold for medium yield & recovery toward book value.
- 2N-BARNES MTG (RTR 12/9/4-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Port.: \$77M, 77% nonearn; 37% foreclosed; Mix: 46% condo, 23% land & const.; 31% Puerto Rico, 42% Fla. Financing: 2.5 leverage; \$55M bank term loan at 125% of prime, to 12/80. Results: Dec. Q EPS d19c after 37c gains. Shares: Interesting recovery speculation at 69% below book value, no interest overhang. Building out properties.
- ↑ 4N-BARNETT MTG (EVAL 3/7/8-Mtg/Forcl prop-Mar FY) NON-QUAL TRUST. Self-adm. 4/78. Port.: \$139M, 93% non&low earn; 78% foreclosed. Mix: 23% condos, 26% apts., 22% land. Financing: \$24M neg. equity; New \$76M bank credit at: 1% inter., 53% asset pledge, forgive 50% contin. int. Results: Dec. Q EPS d72c. Bonds: About 67% of holders took cash or new paper. Shares: Speculative interest because restructuring succeeded.
- ↓ 5N-BARNETT-WINSTON (EVAL 9/19/7-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Self-adm. Port.: \$53M, 69% non-earn, 56% foreclosed; Mix: 38% apts., 31% land. Financing: \$0.7M neg. equity; bank debt paid down to \$11M; debent. int. default 12/76 & holder of 32% could seek acceleration. Results: Dec. Q EPS 3c after 46c gains. Bonds: In default; proposing \$550 cash or 4 1/2% debent. Shares: Avoid till bonds restructured.
- 2N-BAY COLONY PROP (RTR 8/12/7-Volun Prop-May FY) NON-QUAL TRUST. Self-admin. Port.: \$193M, 59% non- & 13% low earning; 47% foreclosed; 25% undevel. land, 75% completed props.; 19% hotel, 26% apts. Financing: 7.1 leverage; To restruct. \$92M bank debt into \$24M 3% notes; \$68M 8% + contin. int. to 5/86. Offering \$1050 new 8% sr. sub. due 3/89 + 20 shares, for 8 1/2 due 3/81. Results: Feb. Q EPS 7c after 15c swap gain. Bonds: Take exchange offer. Shares: Trading/buy for recovery at 54% below book value & speculation on exchange success.
- 3N-BENEF STD MTG (EVAL 3/7/8-Mtg/Forcl prop-July FY) CAN END REIT. Voting incorp. & name change to Alamand Corp. Self-adm. Port.: \$54M, 66% non- & 7% low-earn; 65% foreclosed; Mix: 30% land, 19% condos, 12% motels. Financing: High leverage; \$29M bank credit to 12/78 at 125% of prime, accruing, possible 4% forgive. Results: Jan. Q EPS 25c after 55c gain. Converts: Spec. yield. Shares: Trading, spec. on loss reserve recap.
- 4N-BRT REALTY (RTR 12/10/3-Prop&Mtg-Nov FY) Port: \$26M, 60% non- & 7% low-earn; 40% held for sale; Mix: 44% hotel/motel, 18% condos, 15% land & devel. Financing: 4.1 leverage; \$11M debt at 1/2 over prime to 7/1/81. Results: Nov. Q EPS d78c after 50c loss provision. Shares: Long recovery.
- ↓ 3N-BT MTG INVESTORS (EVAL 12/14/7-LT mtg/prop.-Sep FY) CAN END REIT. Port.: \$141M, 64% nonearn, 32% foreclosed; Mix: 31% apts., 14% land, 10% nursing homes. Financing: \$7M neg. equity; Renego. \$112M bank credit exp. 3/31/78 at min. 4% + contingent int.; Sponsor Bankers Trust N.Y. lends 55% of credit. Results: Dec. Q EPS d5c after 12c gains. Bonds: Speculative yield. Shares: Speculation on sponsor aid.
- 5N-BUILDERS INV (RTR 6/10/4-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Self-adm. Port.: \$221M, 66% non- & 19% low-earn; 39% held for sale; 29% condos, 24% land. Financing: \$4M neg. equity; \$120M debt at 2% to 9/79, 3% to 9/80, 115% of base rate after, with asset pledge & contingent interest. \$15M payment due 6/78. Swapping assets. Results: Dec. Q EPS \$3.03 after \$3.15 gain. Shares: Avoid; still at mercy of banks.
- 3N-CAMERON-BROWN (EVAL 3/7/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$128M, 43% non- & 40% low-earn; 71% foreclosed; 35% apts., 30% land & develop., 17% condos. Financing: 6.8 leverage; \$92M credit at 3% min. int. or income to 12/78 + up to 125% of prime payable in certificates. First swap \$5M. Results: Dec. Q EPS d48c. Shares: Trading or long term speculation at 60% below book value
- 3N-CAPITAL MTG (RTR 6/10/4-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$70M, 53% nonearn, 34% foreclosed; Mix: 41% land, 9% condos; 55% MD & VA. Developing land. Financing: \$2M neg. equity; \$42M bank credit at higher of net cash income or 1% to 7/31/78 & 3% to 7/31/79 + conting. int.; 305T conv. pref. shares issued for conting. int. Results: Mar. Q EPS 49c after 24c loss provision & 65c gain. Converts: Speculative yield. Shares: Trading/limited recovery.



## RELATIVE APPEAL RANKINGS--Continued from page 3

RA--TRUST (Date reviewed Type FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

- 2N-CENTRAL MTG (RTR 12/9/4-ST mtg.-Mar FY) Port.: \$27M, 37% non- & 12% low earn; 34% foreclosed; 31% land, 31% apts., 20% comcl. & indust. Financing: 1.7 leverage; \$17M bank credit to 4/79 at 117% of prime, permits \$3M new loans. Results: Dec. Q EPS 4c after 11c interest recovery. Shares: Buy/hold for LT recovery at 56% below book value & potential benefits of new investments. Selling land.
- 5N-CHASE MANHATTAN MTG (EVAL 3/7/8-Mtg/Forcl prop-May FY) NON-QUAL TRUST. Port.: \$311M, 94% nonearn; 7% held for sale. Reorg. as realty owner-operator. Financing: \$8M neg. equity; bank debt \$157M; \$160M bank loan to 12/81 at 6% inter.; missed May 1 bond maturity. Results: Feb. Q EPS \$1.36 after 19c gain. Bonds: Hold. Shares: Very speculative trading. Missed repaying \$37M 7-7/8% sr. debt 5/1/78; sponsor must help or bankruptcy possible.
- 4N-CI MTG GROUP (EVAL-3/7/8-Mtg/Forcl prop-Oct FY) NON-QUAL TRUST. Port.: \$267M, 88% nonearn, 55% foreclosed; Mix: 45% apts., 16% office, 15% land, 11% condos. Financing: \$14M neg. equity; \$230M bank credit accruing at 2% cash interest increasing to 6% at maturity 6/30/80; June '77 principal repayment missed & negotiating; all assets pledged. Results: Jan. Q EPS d35c after loss provision. No aud. opin. '77. Shares: Trading speculation on bank concessions; Now Philadelphia SE.
- 2N-CI REALTY INV (EVAL 8/8/7-Volun prop-Feb FY) NON-QUAL TRUST. Port.: \$113M, 8% nonearn, 8% foreclosed; Mix: 86% ownership, 6% mtgs.; 44% apts., 48% NYC office; one building now fully leased. Financing: 1.6 leverage; \$71M debt is \$53M mtgs. on property, \$17M bank credit to 1/31/79 at 130% prime. Results: Nov. Q EPS d8c, CFS 7c. Shares: NYC office play; 12% bought by group; may change charter to diversify.
- 3N-CITINATIONAL DEV (No review-Mtg/Forcl prop-Mar FY) NON-QUAL TRUST. Port.: \$10M, Sold \$3M condo, 92% non-&low-earning; 92% foreclosed. Mix: 31% office, 28% 1-family. Financing: 0.5 leverage; \$3M debt to parent bank at prime. Results: Dec. Q EPS d12c. Shares: Limited interest.
- 5N-CITIZENS & SO RLTY (EVAL 3/7/8-Mtg/Forcl prop-June FY) NON-QUAL TRUST. Port.: \$239M, 36% non-earn, 29% foreclosed; Mix: 12% condos, 18% land, 26% apts.; 37% GA, 25% FL. Financing: \$11M neg. equity; \$178M bank credit accruing at 1% cash inter. to 9/78, missed 4/77 debent. int. Offering deb. exch. or 50% cash for 6-3/4% debs. Results: Dec. Q EPS 25c after 30c gain on settlement with adviser. Bonds: In default; Tender/exchange expires 5/19. Shares: Avoid or spec. on exch. offer success. Signed SEC consent decree.
- 3N-CITIZENS GROWTH (RTR 2/10/8-Prop-Jan FY) NON-QUAL TRUST. Port.: \$12M, 46% nonearn; 21% foreclosed. Mix: heaviest motels & land. Financing: 0.6 leverage; \$1.5M bank credit to 7/80 at 5%, reduced to 4% upon \$200T repayment; assets pledged. Swaps cut debt. Results: Oct. Q EPS d8c after 6c swap gain. Shares: Buy/hold moderate LT recovery; broker group bought 16% of shares.
- 4N-CITIZENS MIT (EVAL 3/7/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$75M, 59% non- & 16% low-earn; 68% foreclosed; Mix: 36% land & devel., 15% condos, 21% apts. Financing: \$21M neg. equity; \$56M bank loan expired 10/76; Proposes swapping most assets for bank debt & tender at 40 for notes, now set for spring 1978. Results: Dec. Q EPS \$1.43 after 74c loss prov. credit. Dec. FY d\$3.87, no auditor opinion. Subor. notes: In default & 15% of holders seek acceleration. Shares: High risk restructuring speculation; Potential dilution.
- 2N-CLEVETRUST RLTY (EVAL 12/14/7-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Port.: \$98M, 44% non-& 14% low-earn; 54% foreclosed; Mix: 68% equity incl. foreclosed; 27% apts., 27% comcl., 18% land, 17% office. Financing: 2.6 leverage; \$44M bank credit to 12/78 at prime but not over 7 1/2%; cont. int. 4-6 years. Results: Mar. Q EPS 73c after gains; see '78 profit. Shares: Buy/hold LT recovery at 52% below book value.
- 4N-COLWELL MTG (RTR 2/13/6-Mtg/Forcl prop-Dec FY) Port.: \$136M, 26% non- & 19% low earn, 58% foreclosed & refinanced; 38% apts., 14% hotel/motel, 14% shop. ctrs. Financing: Pro forma 9.3 leverage, \$109M bank debt; pre-planned Ch. XI. confirmed April 1978 giving banks 8% int. with debent. getting 40% & 34% of par + preferred. Results: Dec. Q EPS d\$1.29. Dec FY d\$2.50. Shares: New preferred interesting
- 1 -CONN GEN M&R (EVAL 12/14/7-Prop & Mtg.-Mar FY) Port.: \$320M, 5% non & 5% low-earn, 9% foreclosed; 37% regional shop. ctr., 31% residen., 15% industrial, 13% office. Financing: 1.9 leverage; \$209M debt; \$20M 15-yr notes at 8 3/4% & \$50M 7-yr., 16% mtgs., 37% converts. Results: Mar. Q EPS 33c, Dec. CFS 44c; Div. 40c unch. Mar. FY \$1.50. Converts: Low, safe yield. Shares: Buy/hold long term.
- 4 -CONSOL CAP RL (EVAL 8/8/7-Property-Nov FY) Port.: \$133M, 0 nonearning; 80% apts. with 8,712 units, 16% shop. ctrs.; 58% Texas. Financing: 2.4 leverage, \$93M secured mtgs. Results: Feb. Q EPS 3c after 6c gain; Aug. CFS 24c before gain. Div. May monthly 17c unch. & about 100% capital gains or taxfree capital return. Shares: Speculative income, over book.
- 3 -CONT ILL PROP (EVAL 8/8/7-Property-Oct FY) Port.: \$300M, 0.2% foreclosed & nonearn; Mix: 53% apts., 39% shop. ctrs. Bought \$49M Watergate apts. in Nov. Financing: 2.1 leverage; \$29M bank lines and \$179M mortgages on property. Results: Jan. Q EPS 14c; CFS 35c after 5c nonrecurring income. Shares: Limited near-term upside; Yield and some longer term appreciation.
- 3N-CONT ILL RLTY (EVAL 3/7/8-Mtg/Forcl prop-Mar FY) CAN END REIT. Port.: \$160M, 56% non & 15% low-earn; 39% foreclosed; Mix: 12% condos, 17% apts., 38% land. Financing: High leverage; Bank debt cut to \$83M at 1% minimum inter. or net income + contingent interest at 130% prime, to 4/30/78; swap program cut debt. Results: Dec. Q EPS 66c after \$1.52 gain & 82c loss prov. See breakeven FY'78. Bonds: Tender/swapout spec. Shares: Hold for long recovery, possible success as owner/developer.
- 5N-CONTINENTAL MTG (EVAL 5/9/8-mtg/Forcl prop-Mar FY) NON-QUAL TRUST. No financial statements since Dec'76. Latest data: Port.: \$590M, 91% problem. Financing: \$72M neg. equity; Total debt \$578M; Filed Ch. XI 3/8/76 & liquidation ordered but stayed by Chapter X filing 10/22/76. Results: Unofficial: d4c/sh. 10 mo. to Jan. '78. Bonds & shares: Avoid, protracted litigation.
- 4N-COUSINS MTG&EQ (EVAL 12/14/7-Mtg/Forcl prop-Aug FY) NON-QUAL TRUST. Self-adm. Port.: \$168M, 64% nonearn; 51% foreclosed; Mix: 21% apts., 42% land/devel., 20% hotel/motel. Financing: High leverage; \$98M bank credit at net income or 2% inter., plus contingent inter.; extended to at least 12/31/79. Results: Nov. Q EPS d10c after 66c gain. Bonds & shares: Trading speculation on loss reserve recovery & land sales.
- 2 -DENVER REIA (RTR 10/14/7-Property-Dec FY) Port.: \$48M. Mix, by revenues: 15% apts., 22% shop. ctrs., 14% motel, 44% office & commercial, 5% mtgs.; all Colo. Financing: 4.6 leverage; \$30M property mortgages, \$5M debentures. Results: Dec. Q EPS 41c incl. 11c gain. Sep. CFS 32c. Mar. div. 18c up 20%; '76 div. 35% tax-free. Shares: Buy/hold for income and growth; substantial improvement in '78 cash flow.
- 1N-DIVERSIFIED MI (EVAL 9/21/7-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$236M, 70% nonearn, 25% foreclosed; Mix: 45% secondary & 7% primary homesites, 21% raw land, 15% LT mtgs. Largest loan repaid. Financing: 0.7 leverage; Borrowed \$44M from Con. Ill. Bank to buy back other bank debt at discount. Results: Mar. Q EPS 16c after 47c extra. gain. Shares: Long-term recovery spec. 61% below book value
- 5N-DOMINION M&R (No review-Mtg/Forcl prop-May FY) NON-QUAL TRUST. Self-adm. Port.: \$34M. 84% non- & low-earn, 76% foreclosed; Mix: 1/3 condos (mostly FL), 1/3 apts. Financing: \$7M neg. equity; Total debt \$35M; Chapter XI filed 6/28/77; Results: Feb. Q EPS d3c Bonds & shares: Avoid but cash is accumulating during bankruptcy.
- 3 -EQUIT LF MTG (RTR 4/14/8-LT mtg.-Oct FY) Port.: \$381M, 10% nonearning; 33% LT mtgs., 58% ST const. & devel.; Expanding ST; Mix: 29% shop. ctrs., 18% tracts & land. Financing: 1.8 leverage; \$245M debt is 55% comm. paper, 21% term notes, 20% short-term notes, 2% conv. Results: Jan. Q EPS 48c. Apr. div. 50c, down 5c. Shares & bonds: Hold, EPS vulnerable to short term interest rates.
- 2 -FEDERAL RLTY (EVAL 8/8/7-Property-Dec FY) Self-administered. Port.: \$29M, no nonearning; cash flow 20% apartments, 80% shopping centers; Wash., D.C. area. Financing: 1.0 leverage; \$14M debt, 92% secured mtgs.; Results: Mar. Q EPS 35c after 6c gain, Mar. div. 34c, up 2c. Shares: Buy/hold income and modest growth; high quality. Adding shopping centers.
- 4N-FIDELCO GROW (EVAL 12/14/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Port.: \$133M, 84% nonearn; 53% foreclosed; Mix: 25% land (developed & raw), 33% condos, 14% apts.; 30% Penn., 25% Fla. Financing: 9.6 leverage, new \$97M bank credit to 11/30/78 at 1% cash + earnings; swapping assets; Results: Feb. Q EPS 76c after 5c swap gain & 94c settlement gain. Shares: Speculation on sponsor aid.
- 4N-FIRST COMMERCE (EVAL 3/7/8-Mtg./Forcl prop-Dec FY) CAN END REIT. Port.: \$29M, 56% non-& 33% low-earn; 62% foreclosed; Mix: 66% land, 8% condos & singles; 58% LA, 42% other South. Financing: 1.3 leverage; \$20M credit at 117% prime to 11/77 being extended. Results: Dec. Q EPS 2c after 8c credit. Shares: Unattractive till progress shown.



## RELATIVE APPEAL RANKINGS-Continued from page 4

RA--TRUST (Date reviewed Type FY) Portfolio size, % problem status &amp; mix; Financing; Latest EPS results, dividends &amp; advice

- 2 -FIRST CONTNL (RTR 2/11/7-ST mtg.-Feb FY) Port.: \$45M, 9% nonearn, 5% foreclosed; Mix: 51% const. loans, 38% development, 10% land; 86% Texas. Financing: 1.4 leverage; \$32M bank lines at 1/2% over prime, 10% + 10% balances, to 7/78; must pledge assets equal to debt if demanded. Results: Feb. Q EPS 23c; div. 23c. Making new commitments. Shares: Hold speculative income & recovery.
- 3N-FIRST DENVR MI (EVAL 4/10/8-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Port.: \$62M, 56% nonearn; 31% foreclosed; Mix: 18% land, 19% condos-secondary, 11% condos-primary, 14% motels. Financing: 4.2 leverage; assets pledged; \$44M bank debt to 3/31/78; Negotiating new 3 yr. agreement tying interest to cash flow. Results: Dec. Q EPS \$2.56 after \$2.42 swap gain. Shares: Trading, recovery speculation.
- 3 -FIRST FIDELITY (EVAL 8/8/7-Property-Nov FY) Port.: \$31M, Est. 10% nonearn; Mix: 53% shop. ctrs., 33% office. Financing: 2.3 leverage; \$20M secured mtgs. Results: Aug. Q EPS 15c; CFS 15c. Dec. div. 10c. Shares: To liquidate, relatively unattractive, speculation on liquidating at or above \$10.54/sh. book value. One group owns 9% of shares.
- 4N-FIRST MEMPHIS (EVAL 12/14/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Port.: \$64M, 35% non- & 32% low-earn; 59% foreclosed; Mix: 25% land, 22% offices, 14% industrial, 20% apts.; 34% Tenn. Financing: 12.8 leverage; \$41M bank debt at 2% + contingent interest to 11/30/78, swapping assets. Results: Feb. Q EPS 70c after \$1.16 swap gain; Shares: Speculative till workout progresses.
- 5N-FIRST MTG INV (RTR 6/10/4-Mtg/Forcl prop-Jan FY) NON-QUAL TRUST. Self-adm. Port.: \$286M, 22% non- & 44% low-earn; 52% foreclosed; Mix: 31% hotel/motel, 28% apts., 8% land, 17% office. Financing: \$53M neg. common equity; \$212M credit at 1 1/4% or net income, expires 8/31. Results: Jan. Q EPS d58c after \$1.12 gain. Bonds: For asset swaps. Shares: Avoid, high risk.
- 3N-FIRST NEWPORT RL (EVAL 9/19/7-Mtg/Forcl prop-Oct FY) NON-QUAL TRUST. Self-adm. Port.: \$118M, 47% non- & 20% low-earn; 44% foreclosed; Mix: 31% condos, 13% land, 21% hotel/motel. Financing: 9.4 leverage; \$61M bank debt at higher of 1% or net cash income to 11/78, plus contingent int. Results: Jan. Q EPS d38c after 12c loss prov. Bonds: Hold. Shares: Long hard recovery ahead even at 63% below book value.
- 3N-FIRST PENN MT (EVAL 4/10/8-Mtg/Forcl prop-July FY) NON-QUAL TRUST. Port.: \$151M, 77% nonearn, 60% foreclosed; Mix: Heavy condos, comcl. & indust. land; 21% Fla. Financing: 18.9 leverage; new \$93M bank debt at 5%, accrue to prime with interest forgiveness. Asset swap. Results: Jan. Q EPS d2c after \$1.93 swap & sale gains. Converts: Mar. 1 payment delayed to May 27. Shares: Trading, book value falling.
- 2 -FIRST UNION (EVAL 6/17/7-Property-Oct FY) Port.: \$198M, E7% low earn; Mix: 70% major office, 25% shop. ctrs.; Bought \$9M offices; internally managed. Financing: 3.4 leverage; \$155M debt; 73% secured mtg., 17% short, 9% conv.; \$10M preferred. Results: Jan. Q EPS 21c after 5c gain, CFS 28c after 5c gain; div. 26c. Shares & Bonds: Buy for quality income.
- 3N-FIRST VIRGINIA (EVAL 9/21/7-Mtg/Forcl prop- Jun FY) NON-QUAL TRUST. Self-adm. Port.: \$71M, 45% non- & 7% low-earn; 51% foreclosed. Mix: (Foreclosures) 31% condos, 23% land; 37% Va., 34% Fla. Financing: 8.1 leverage; \$32M bank credit to 12/79 accruing at 4% + contingency to 125% prime. Pledged assets. Results: Dec. Q EPS \$2.85 after 5c gain & \$2.90 loss prov. recovery. Bonds: Hold. Shares: Speculation on merger to use tax loss benefits.
- 4N-FIRST WISCONSIN MT (EVAL 4/10/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$113M, 47% non- & 44% low-earn; 74% foreclosed; Mix: 19% condos, 31% apts., 29% land; 43% southeast, 29% midwest. Financing: 9.7 leverage, \$94M bank debt at 1% or net income to 5/80. Results: Dec. Q EPS 18c after 27c loss provision. One bank took 78,000 equity shares in lieu of contingent interest. Shares: Long recovery, some dilution.
- 2N-FLATLEY RLTY (EVAL 8/8/7-Prop&Mtg.-June FY) Self-adm. Port.: \$20M, 40% non- & low-earn; 40% foreclosed; Mix: 39% apts., 51% shop. ctrs.; 94% Mass. Seeking new investments. Holdings: 95% equity, 5% loans. Financing: 2.1 leverage, \$14M debt is 89% secured mtgs. Results: Dec. Q EPS 11c after 8c capital gain. Shares: Buy pending workout progress, recovery toward book value possible.
- 2 -FLORIDA GULF (EVAL 8/8/7-Property-Apr FY) Port.: \$33M; Most Grant space filled. Mix: 93% shop. ctrs. (strip), 7% offices; 92% Fla. Financing: 1.3 leverage; \$18M secured mtgs., \$0.28M bank debt. Results: Jan. Q EPS 20c; CFS 38c; div. 32c, 55% tax-free; 68% of Grant rents replaced. Shares: Buy for yield & modest growth in overage rents and new properties.
- 3N-FRANKLIN RLTY (EVAL 8/26/7-Volum Prop-June FY) NON-QUAL TRUST, mgmt. services. Port.: \$34M, vacancies falling; Mix: 84% equity, 16% mtgs. Equities: 13 offices midwest & Fla., 5 apts., 2 motels, 1 land tract. Financing: 3.5 leverage; \$27M debt: 62% secured, 19% short, 19% conv. Results: Dec. Q EPS 24c after 3c gain. Converts: Hold. Shares: Hold for earnings improvement, expanding real estate services.
- 2 -FRASER MTG (EVAL 12/14/7-ST mtg.-May FY) Port.: \$52M, E7% nonearn. after sale; Mix: 10% const., 12% land, 25% completed projects, 41% long term, 11% foreclosures; 31% Ohio, 25% Fla. Financing: 2.3 leverage; \$39M debt short term. Results: Feb. Q EPS 26c; Div 26c. Making new investments. Sold at profit large foreclosed Florida land. Shares: Hold for recovery; Block of 8% bought.
- 1 -GENERAL GROW (EVAL 8/26/7-Property-Sep FY) Port.: \$301M, 0 problems; high quality. Mix: 76% shop. ctrs. (Major Midwestern malls), 14% apts., Financing: 6.7 leverage; \$264M debt: 91% secured mtgs.; Sold \$25M 9-1/8% 20-yr notes 4/77. Results: Mar. Q EPS 39c & CFS 46c after 10c gain. Div. 37c, about 60% tax-free. Shares: Buy on dips, unique development ability.
- 2 -GOULD INVST (EVAL 8/26/7-Property-Sep FY) Port.: \$38M, 2% nonearning; Holdings: 84% equity. Properties: NYC office (19% of port.), 5 apts., 15 strip ctrs, 8 restaurants, 7 offices. Financing: 3.8 leverage; 88% secured mtgs. Results: Dec. Q CFS 21c after 6c extra amort., before 16c cap. gain + 4c settle. gain; EPS 37c after 20c gains. June div. 20c. Shares: Speculative income hold.
- 3 -GREIT RLTY (EVAL 8/26/7-Property-Oct FY) Port.: \$36M, several vacancies. Mix: 61% shop. ctrs., 29% offices & urban stores, 8% apts., 2% mtgs. Financing: 2.3 leverage; \$25M debt, all secured mtgs. Results: Jan. Q EPS 14c; CFS 23; July div. 10c; Shares: Hold for speculative income and re-leasing of vacant Dayton office space. Renovation to cause drain from this bldg.
- 5N-GRT AMER M&I (RTR 3/11/4-Mtg/Forcl prop-Jul FY) NON-QUAL TRUST. Self-adm. Port.: \$321M, 91% nonearning; Mix: 83% foreclosed. 42% apts., 13% condos, 21% land. Financing: Total debt \$321M; \$58M neg. equity; Filed Chap. XI 3/77; Proposed plan: secure assets for senior creditors + equity for cash int.; debent. exch. Results: Jan. Q EPS d38c; foreclosures now positive cash flow. Bonds: Hold. Shares: Still risky.
- 5N-GUARDIAN MI (RTR 3/12/6-Mtg/Forcl prop-Feb FY) NON-QUAL TRUST. Self-admin. Port.: \$247M, 65% nonearn, 37% foreclosed; Mix: 48% land, 15% condos, 28% income-prod. prop. Financing: \$40M Neg. equity; Filed Ch. XI 3/8/78 saying banks wouldn't permit viability. Results: Nov Q EPS d\$1.18 after 74c loss prov. & 45c gain. Bonds: Inter. default 6/77; Hold. Shares: Hold; Avoid new buys.
- 3N-GMR PROP (formerly GULF) (EVAL 1/31/8-Mtg/Forcl prop-Feb FY) NON-QUAL TRUST. Port.: \$94M, 42% non- & 26% low earn; 57% foreclosed; Mix: 28% apts., 24% land; 76% Southeast. Financing: 9.1 leverage; \$40M bank credit to 7/17/78 accruing at prime, payable 4% cash plus notes; + conting. inter. to 125% prime for 5 yrs. To restr. all debt. Results: Feb. Q EPS 50c after 61c swap gain. Bonds: Hold for now. Shares: Recovery speculation.
- 2N-HAMILTON INV (RTR 11/12/3-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$81M, 26% non- & 12% low earn, 39% foreclosed; Mix: 58% apts., 17% offices, 11% land; 34% Okla., 16% Fla. Financing: 4.6 leverage; \$54M credit to 6/78 @ 3 1/2% or net income w/contingent inter. to 130% prime. Renego. credit, aim to cure default, \$8M repay. overdue. Results: Mar. Q EPS d8c. Shares: Recovery spec. at 57% below book.
- 2N-HANOVER SQ RL (EVAL 4/10/8-ST mtg.-Aug FY) Port.: \$34M, 20% nonearn, 31% low-earn; 44% foreclosed; Mix: 68% residential, 17% shop. ctrs., 10% land; 48% Northeast. Temporarily stopped making new commitments. Financing: 1.9 leverage, \$16M credit @ 124% prime. Results: Feb. Q d2c after 11c gain & 2c int. recovery. Converts: Speculative income buy. Shares: Buy/hold for recovery.
- 3N-HEITMAN MTG (RTR 11/11/4-Mtg/Forcl prop-Dec FY) Port.: \$134M, 46% non- & 17% low-earn; 17% foreclosed; Mix: 33% shop. ctrs., 18% condos, 15% offices, 24% land; 31% Ill., 9% other Midwest, 14% Cal. Financing: 12.9 leverage; \$71M debt to 4/79 accruing at prime (Payable 4% in cash); Results: Dec. Q EPS d4c after 6c loss prov.; Dec. FY d66c. Converts: Higher risk hold. Shares: Recovery speculation.



## RELATIVE APPEAL RANKINGS-Continued from page 5

RA--TRUST (Date reviewed Type FY) Portfolio size, % problem status &amp; mix; Financing; Latest EPS results, dividends &amp; advice

- 1 -HOSPITAL MTG (EVAL 9/21/7-LT mtg.-Feb FY) Port.: \$38M, 42% nonearn; 2% foreclosed; Mix 34% medical, 24% land, 19% apts., 17% condos; 2/3 Fla. Swapped two minority participations for 133 ac. in Houston. Financing: 0.5 leverage; \$9M bank debt; \$3M mtg. Results: Nov. Q EPS 13c; Feb. div. 15c. Shares: Buy for 6% yield and long recovery at 53% below book value.
- 3 -HOTEL INVESTOR (EVAL 9/21/7-Property-Aug FY) Self-adm. Port.: \$79M, 8% nonearn; 4% foreclosed; 51% equity/45% LT mtgs.; Mix: All hotels/motels, most national franchises; comcl. business travel oriented. Financing: 1.9 leverage; \$51M debt: 33% secured mtg., Prel. agree. for \$15M for 15 yrs. to permit \$3M new inv. Results: Feb. Q EPS 34c; CFS 44c; div. 42c. Shares & Bonds: Buy/hold income. Occupancy & room rates up.
- 2 -HUBBARD REI (EVAL 6/17/7-Property-Oct FY) Port.: \$84M, E5% nonearning due to Grant vacancies. Mix: All shopping centers & food stores except one office; Net lessees: 20% Safeway, 17% Ashland Oil, 17% Chrysler. Financing: 97% equity. Results: Jan. Q EPS 38c; Div. 33c up 3%; 8 1/2 of 10 Grant stores now re-leased, 1 1/2 still vacant. Shares: Buy for dividend increase prospects.
- 2 -ICM REALTY (EVAL 9/21/7-Subor. land-Nov FY) Port.: \$99M, 57% non- & low-earn; 37% foreclosed; Mix: 50% apts., 26% shop. ctrs., 15% land 6% offices; 39% land purch.-leasebacks; Financing: 0.9 leverage; \$39M debt: 54% secured mtgs., \$18M credit to 2/79 at 120% prime + 15% bal. Results: Feb. Q EPS 15c after 3c gain. Paid 23.6c annual div. 3/78 from FY'77 income. Shares: Buy/hold for long term recovery.
- 4N-IDS REALTY TR (EVAL 4/10/8-Mtg/Forcl prop-Jan FY) NON-QUAL TRUST. Port.: \$204M, 72% nonearn; 61% foreclosed; Mix: 33% shop. ctrs., 28% land, Financing: \$28M neg. equity; owe Sponsor \$10M; \$170M subor. debentures. Results: Jan. Q EPS 55c after 29c extraordinary gains. Bonds: Plans to offer 80% of par for \$42M debent. delayed till class action agrees. Shares: High risk speculation; positive equity possible.
- 5N-INDEPENDENCE MTG (No Review-Mtg/Forcl prop-Jun FY) NON-QUAL TRUST. Port.: \$134M, 88% non- & low-earn; 64% foreclosed; Mix: 23% condos; 26% devel.; 16% Fla., 12% Texas, 14% Va., 13% Ill., 9% Ga. Financing: \$10M neg. equity; \$79M credit accruing at 1% w/conting. int & 110% collateral, to 6/1/79. Results: Dec. Q EPS dlc. Shares: Avoid.
- 2N-INDIANA M&R (EVAL 9/21/7-Prop&Mtg-Jun FY) Port.: \$58M, 30% non-earn; 11% foreclosed; Mix of \$28M Mtgs: 57% land, 17% apts. & condos; of \$39M equities & foreclosures: 34% offices, 34% apts., 28% shop. ctrs. Financing: 5.5 leverage; \$53M debt; \$36M credit to 9/78 @ 6% + 120% prime contingent interest. Results: Mar. Q EPS 1c; Dec. CFS 10c. Shares: Hold for improvement.
- 4N-INSTITUT INV (EVAL 4/10/8-Mtg/Forcl prop-Jan FY) NON-QUAL TRUST. Self-admin. Port.: \$138M, 55% nonearn; 33% low; 48% foreclosed. Mix: 21% apts., 17% condos, 38% land; 21% Fla., 9% Cal., 8% Tex. Financing: 3.6 leverage; \$63M credit to 5/78 accruing @ 129% prime (1% paid in cash, rest deferred). Results: Jan. Q EPS \$d1.41 after 22c gain. Bonds: Trading & speculative income; Restructuring proposal likely. Shares: Trading; Insiders buying.
- 2 -INVESTOR RLTY (RTR 12/9/7-Prop&Mtg.-Nov FY) CAN END REIT. Port.: \$45M, 19% non-earn. Mix: 54% apts., 15% shop. ctrs.; type: 86% owned incl. foreclosures & leasebacks. Financing: 1.6 leverage; \$28M debt, 86% secured; \$17M bank credit to 5/78. Results: Feb. Q EPS 8c; CFS 19c. Sold major GA apt. 4/78. Other sales pending. Mar. div 12 1/2c unch. Shares: Interesting long-term recovery buy at 25% below book value.
- 2 -JMB REALTY (EVAL 9/21/7-Subor. land-Aug. FY) Port.: \$24M, 0% nonearn; Mix: 49% apts., 17% office, 17% shop. Ctrs.; 53% wrap-around mtgs., 17% land leasebacks; Financing: 1.4 leverage; \$4M open lines from bank; Results: Feb. Q EPS 46c; Div. 45c, up 5c. Shares: Hold for speculative yield.
- 3N-KENTUCKY PROP (was KMC) (RTR 5/14/3-Mtg/forcl prop-Nov FY) NON-QUAL TRUST. Self-adm. Port.: \$22M, 82% non- & low earn; 41% foreclosed; Mix: 23% apts., 25% land & devel.; 17% condo; 54% Kentucky. Financing: 7.4 leverage; \$12M debt to 5/1/78 at prime, 3% cash, balance deferred. Results: Nov. Q EPS 6c after 41c swap gain. Nov. FY d54c. Shares: Situation believed improving; Private investor bought 9% of shares.
- 3N-LMI INVESTORS (EVAL 4/10/8-Mtg/Forcl prop-June FY) NON-QUAL TRUST. Self-adm. Port.: \$112M, 38% non- & 23% low-earn; 55% foreclosed. Mix: 37% apts., 13% condos, 16% shop. ctrs., 11% land, 28% Texas. Financing: 5.5 lev.; \$74M credit 12/81 w/inter. accrued at prime payable at 2% or cash flow; pledging assets. Results: Mar. Q EPS d22c after 13c cap. gain. Bonds: Risky yield. Shares: Improved speculation. Proposed name change to Growth Realty Investors.
- 5N-LIFETIME COMMUNITIES, INC. (Formerly Fidelity) (No Review-Mtg/Forcl prop-Oct FY) Corporation. Port.: \$158M, 53% non- & 26% low-earn, 56% forecl. Settlement: Court approved Chap. XI emergence Jan. 5, 1978: Banks get 65% of \$163M debt over 6 yrs. + 47% of stock; sub. debt gets 10% + 15% of par + 5.2% of stock; 7.2 leverage; \$2.25/sh. book value. Results: Oct. Q EPS 7c after 4c tax benefit; Oct. FY EPS 94c after 47c tax benefit. Shares: High risk.
- 3N-LINCOLN MTG (RTR 12/10/3-Mtg/Forcl prop-Mar FY) NON-QUAL TRUST. Self-admin. Port.: \$22M, 80% non & low earn; 80% foreclosed; Mix: 70% apts, Financing: High leverage; \$7M bank credit left @ 1/2 over prime, due 12/78. Results: Mar. Q EPS d5c after 7c gain; Mar. FY d52c after 44c gain. Q. Bonds & shares: Speculation on asset sales to repay banks; Bond restructuring likely after banks paid.
- 2 -LOMAS & NETTLETON MTG (EVAL 6/17/7-ST mtg.-June FY) Port.: \$246M, 20% nonearn; 21% foreclosed; Making new loans; Mix: 28% land acq. & devel., 45% Texas. Financing: 1.4 leverage; Borrowers short & L/T from banks; All debt interest floats with prime. Results: Mar. Q EPS 43c; Div. 43c, 85% tax-free in FY'77. Shares: Buy/hold longer term recovery potential; Little rate exposure, see \$10-\$15M nonearn. drop.
- 3 -M&T MTG INV (RTR 2/11/7-ST mtg.-Aug FY) Port.: \$46M, 0.5% foreclosed; Making new loans; Mix: 81% const. & devel., 18% 1-family permanent; all Texas. Financing: 2.0 leverage; \$31M bank borrowings, all secured; sponsor provides compensating balances; \$14.6M unfunded commitments.; Results: Feb. Q EPS 26c & Div. 26c, down 7%. Shares: Buy for stable yield.
- 2N-MARYLAND RLTY (RTR 4/8/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Port.: \$20M, 32% non- & 8% low-earn; 40% foreclosed; Mix: 32% apts., 32% land, 14% condos; All Fla. & GA. Financing: 1.7 leverage; \$12.6M credit at prime + 1/2 to 11/78; prime + 3/4% in FY'79; Assets pledged. Results: Feb. Q EPS 2c after 1c NOL gain. Shares: Recovery speculation. Looking for \$2M new investments.
- 2 -MASSMUTUAL MTG (EVAL 1/31/8-LT mtg.-Oct FY) Port.: \$189M, 7% non- & 6% low-earning; 12% foreclosed; Mix: 37% shop. ctr. & retail, 33% apts.; 83% Long-term term commitments. Financing: 1.1 leverage; Small interest rate exposure. \$16M master notes; \$13M term loans; \$70M subor. convert. debts. Results: Jan. Q EPS 36c after 4c gain; Div 32c. Converts: Safe yield. Shares: Buy/hold at 28% below book value.
- 5N-METROPLEX RLTY (was Justice) (RTR 3/12/6-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Self-adm. Port.: \$26M, 100% nonearn; 50% foreclosed; Mix: Mainly land & lots. Financing: Filed Ch. XI 12/77. High leverage; \$4M bank debt out at 12/31/77+ \$9.6M 7 3/4% sub. debts; assets pledged & some swapped; 2/1/77 sub. debt inter. missed & 25% of holders called debt. Results: Sep. Q EPS d19c after \$1.77 swap gain & 46c gain on transfer of assets. Sep. FY EPS \$2.67 after \$7.49 gain. Bonds & Shares: Avoid.
- 4N-MIDLAND MTG (RTR 3/12/6-Mtg/Forcl prop-June FY) CAN END REIT. Port.: \$47M, 63% non- & low-earning; Mix: 20% apts., 20% condo, 40% land. Financing: High leverage; Swaps cut bank debt to \$10M, due 8/78 with interest accruing at 4% or net cash flow. Results: Mar. Q EPS d18c after 27c gain. Bonds: Ext. to 5/30 offer to exch. new 4% debts. w/ 100 sh. or 8% notes for \$21M old deb.; only 15% tendered. Shares: Bankruptcy possible if exchange fails; One broker bought 6.8% of shares.
- 2 -MILLER HENRY S (EVAL 9/21/7-Prop&Mtg.-Feb FY) Port.: \$28M, 12% nonearn; 10% foreclosed; Mix: 56% shop. ctrs. owned, 23 1/2% land; Mostly Texas. Financing: 2.0 leverage incl. mtgs.; \$6M bank borrowings at 1/2 over prime to June 1, '78; \$12.6M mtgs. on prop. Results: Feb. Q EPS 17c; Div. 20c. Selling two offices. Shares: Buy for long-term recovery; Operating trend up.
- 4N-MISSION INV (RTR 11/12/3-Mtg/Forcl prop-Nov FY) CAN END REIT. Self-adm. Port.: \$29M, 39% non & 24% low earn; 52% foreclosed; Mix: 40% land & devel., 22% residential, 39% commercial. Financing: 1.8 leverage; \$15M bank debt at prime (max 8 1/2%) to Nov. '79; Assets pledged. Results: Feb. Q EPS 15c after 28c gain. Shares: Trading/very long recovery; No concessions from banks. Seeks merger.
- 2 -MONY MTG INV (EVAL 1/31/8-LT mtg.-May FY) Port.: \$213M, 14% non- & low-earn; 5% foreclosed; Mix: 37% office, 30% multifamily, 15% shop. ctrs.; 42% LT mtgs.; Making new commitments. Financing: 1.5 leverage; \$100M bank lines at prime; \$56M comcl. paper; Results: Feb. Q EPS 16c; May Q to benefit from curing large apt loan; Div. 23c. Convertibles: Safe yield. Shares: Buy/hold.



## RELATIVE APPEAL RANKINGS-Continued from page 6

RA--TRUST (Date reviewed Type FY) Portfolio size, % problem status &amp; mix; Financing; Latest EPS results, dividends &amp; advice

- 2 -MORTGAGE GROWTH (EVAL 1/31/8-Prop&mtg.-Nov. FY) Port.: \$47M, 17% nonearn, 3% low earn; 17% held for sale; Mix: 61% apts., 26% office; 34% Calif. Financing: 0.6 leverage; Debt is \$7.7M 7-3/4% subor. converts held privately & \$10M secured mtgs; Results: Feb. Q EPS 10c; Gross cash flow 18c; div. 14c. Cash flow improving. Shares: Spec. buy/hold for long-term recovery and 7.7% yield; Bought 25T shares back.
- 3N-MTG INV WASHINGTON (6/10/4-ST mtg.-Mar FY) NON-QUAL TRUST. Port.: \$71M, 55% non- & 1% low earn; 30% foreclosed; Mix: 20% hotel/motel; 14% shop. ctr; 16% condo/townhouse; Financing: 4.4 leverage; \$31M bank debt at 112 1/2% of 1/2 over prime, to 12/15/78; Results: Dec. Q EPS \$d1.14. Bonds: Risky yield. Shares: Trading, recovery potential.
- 3N-MTG TRUST OF AMER (RTR 8/27/6-ST mtg.-Nov. FY) Port.: \$97M, 42% non- & 7% low earn; 26% foreclosed; Mix: 24% land & devel., 17% condos, 19% apts.; 17% Calif.; Financing: 1.0 leverage; \$66M bank credit lines at full-rate interest; Seeking limited amount of new credit. Results: Feb. Q EPS 18c after sale gains. Shares: Hold for recovery at 50% below book value.
- 5N-NATIONAL MTG (RTR 5/14/3-Mtg/Forcl prop-Feb. FY) NON-QUAL TRUST. Port.: \$38M, 85% non- & 12% low earn; 59% foreclosed; Mix: 55% land, 13% commercial; Financing: 2.5 leverage; \$14M secured credit; Chapter XI settlement confirmed & deb. holders got cash, new notes & shares. Results: Nov. Q EPS 0c after 13c gain & 7c loss prov. Shares: Extreme risk that land holdings will be difficult to market.
- 3 -NATIONWIDE RE (EVAL 6/17/7-ST mtg.-Mar FY) Port.: \$42M, 37% non-earn; 25% foreclosed; Halted new loans, Mix: 21% medical, 16% condos, 11% land; 30% Ohio, 17% Indiana; Financing: 0.8 leverage; Reduced bank lines to \$16M; Results: Mar. Q EPS 4c; FY 17c. Div. 4c. Convertibles: High yield. Shares: Speculative and slow long-term recovery from 50% below book value; Will seek merger partner.
- 2 -NEW PLAN REALTY (EVAL 8/26/7-Property-July FY) Self-admin. Port.: \$20M, 0% non-earning; Mix: 71% shop. ctrs. owned, 14% residential. Bought 110T sf shop. ctr. NY. Financing: 2.2 leverage; Debt 79% mtgs. on prop., 21% sub deben. Results: Jan. Q EPS 38c after 13c cap. gain. May monthly div. 8c. Shares: Buy/hold for improving income.
- 5N-NJB PRIME INV (EVAL 10/27/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Self-admin. Port.: \$67M, 71% nonearn; 46% foreclosed; Mix: 43% motor lodges/restaurants, 27% condos. Financing: \$8M neg. equity; Proposed swap for all \$38M bank debt; Exchange: \$20 cash for \$100 deb. or \$15 + \$35 in new conv. deb. ext. to 5/19, only 30% accepted. May seek Ch. XI. Results: Feb. Q EPS d63c after 9c loss prov. Bonds & Shares: High risk speculation.
- 2N-NORTH AMER MTG (EVAL 4/10/8-Mtg/forcl prop-Dec FY) Port.: \$139M, 48% non- & 45% low-earn; 62% foreclosures; Mix: 50% apts., 10% land; 34% Fla. Financing: 2.4 leverage; \$37M demand bank notes. Results: Mar. Q EPS d34c. Bonds: Hold. 41% of 5 1/2% holders took \$12.1M of 10-year debts. at 8 1/2%. Shares: Recovery potential from large apt. holdings.
- 2N-NORTHWESTERN FIN (RTR 4/14/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$35M, 29% nonearn; 35% foreclosed; Mix: 7% apts., 6% office, 7% land, 44% inter-long; 50% N. Caro. Financing: 0.5 leverage; \$10M revolving bank debt at 1/2 over prime, extended to 8/31/78. Results: Mar. Q EPS 8c after 3c gain & int. recovery. Profit continuing in 1978. Shares: Recovery and/or liquidation speculation; Broker bought 12.7% of shares, took board seat.
- 2 -NORTHWESTERN MUT LF MTG (EVAL 1/31/8-LT mtg.-Mar FY) Port.: \$233M, 10% non- & 7% low-earn; 12% foreclosed; Mix: 24% office, 24% shop. ctrs., 12% apts.; 61% permanent mtgs. Financing: 1.6 leverage; \$77 1/2M open bank lines; \$28M comcl paper. Sold \$50M notes @ 8 1/2% & \$25M @ 8 3/4% due 12/82. Results: Mar. Q EPS 22c; Div. 25c; may be vulnerable. Mar. FY EPS 91c. Converts: Safe. Shares: Buy, bad news may be discounted.
- 2 -PACIFIC SOUTHERN (EVAL 1/31/8-LT mtg.-Mar FY) Self-admin. Port.: \$11M, 30% nonearn & foreclosed; Mix: 64% comcl. loans, 30% foreclosed land & condo; 5% leasebacks. Bought commercial prop. Financing: No debt. Results: Dec. Q EPS 15c. Div. Feb. 15c. Legal expenses to cause dividend fluctuation over '78-'79 FY. Shares: LT recovery or buyout candidate plus spec. yield; President bought 5 1/2% of shares.
- 2 -PENNSYLVANIA REIT (EVAL 8/26/7-Property-Aug FY) Port.: \$72M, 0.3% nonearning; Mix: 38% apartments, 36% shopping centers. Financing: 3.1 leverage, 90% mtgs on property owned; borrows under \$6 1/2M bank lines. Results: Feb. Q EPS 24c; CFS 36c. Semi-annual div. 62 1/2c. Seeking new investments. Shares: Buy/hold long-term for yield & gains.
- 5N-PLAZA REALTY (EVAL 10/27/7-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-admin. Port.: \$31M, 73% nonearn; 71% foreclosed; Mix: 45% apts., 16% land, 50% equity. Financing: 16.3 leverage, incl. \$16M mtgs.; Signed new \$9M credit at 1% cash or earnings to 1983 up to prime. 73c/sh. accrued interest forgiven. Results: Sep. Q EPS d23c. No auditor's opinion '76. Shares: Avoid or trade only.
- 2 -PNB MTG & RLTY (EVAL 1/31/8-LT mtg.-Sep FY) Port.: \$122M, 12% non & low earning; 11% foreclosed; Mix: 30% LT mtgs., 19% property owned; 34% apts., 24% office & indust., 18% condos. Financing: 1.8 leverage; \$5M bank debt; \$27M comcl paper. Results: Mar. Q EPS 16c. Dec. CFS 25c. Mar. div. 20c. Adding new earning assets. Shares: Buy LT recovery at 48% below book value, possible further div. uptick, small int. exposure.
- 3 -PROPERTY CAPITAL (EVAL 6/17/7-Subor. land-July FY) Port.: \$56M, 3% non-earn; Mix: 41% apts., 27% office, 20% shop. ctrs.; 63% leasebacks, 37% LT mtgs. Making new investments. Financing: 0.9 leverage; \$22M bank lines; \$12M borrowed at 1/2 over prime. Results: Jan. Q EPS 30c. Div. 30c. Shares: Buy-hold for yield & long term recovery; Some interest exposure.
- 2 -PROPERTY TRUST OF AMER (EVAL 10/27/7-Prop&Mtg.-Dec. FY) Self-admin. Port.: \$31M, 13% nonearn; 16% mtgs., 8% foreclosed, 76% investment prop; Mix: 33% apts., 26% office, 21% shop ctrs.; 81% Texas. Financing: 0.8 leverage, all \$15M mtgs. on property. Results: Dec. Q EPS 16c after 11c gain; CFS 17c after gain; div. 7c, up 1c. Shares: Hold for recovery; Bought back 5% of shares from Federated Dev.
- 3 -RLTY & MTG OF PACIFIC (RAMPAC) (EVAL 1/31/8-LT mtg.-Nov. FY) Port.: \$84M, E15% low-earn; E15% foreclosed; Mix: 64% loans: 26% hotel/motel, 18% office; 31% equity; 47% Calif., 19% Hawaii. Financing: 1.5 leverage; \$40M credit to 11/82; \$20M comm. paper backing and \$20M line @ 115% of prime to 9% maximum. Results: Feb. Q EPS 24c; Div. 32c. Paying not less than 10c/sh. depreciation for FY. Converts & Shares: Hold, vulnerable to interest rates.
- 3 -REIT OF AMERICA (EVAL 6/17/7-Property-Nov FY) Port.: \$45M, Properties 9% vacant overall; Mix: 42% shop. ctrs., 24% office, 21% industrial; 45% Calif., 13% Mass.; Financing: 0.4 leverage, all mtg. debt. Results: Feb. Q EPS 67c incl. 40c capital gain. April div. 30c. Shares: Hold long term improvement of property yield.
- 3 -REALTY INCOME (EVAL 10/27/7-Prop&Mtg.-Apr FY) Self-admin. Port.: \$70M, 32% non- & 14% low-earn; 44% foreclosed; Mix: 19% apts., 31% office. Financing: 3.4 leverage; \$18M under \$23 1/2M bank lines at prime; \$20M term at 1 1/2 over prime to '77-80. Results: Jan. Q EPS d24c after 11c gain & 16c loss prov. Div. 35c, paying cap. gains. Converts: Yield. Shares: Buy/hold LT for portfolio upgrading benefits. European group bought 20% of shares. Letter of agreement for sale of large Calif. land tract.
- 3 -REALTY REFUND (EVAL 10/27/7-LT mtg.-Jan FY) Port.: \$57M, no problems; Mix: 80% wraparound mtgs., 20% LT mtgs.; 43% apts., 21 1/2% office, 19% industrial. Financing: 1.3 leverage; \$17M credit at 3/4 over prime to 5/79, \$15M at 1 1/2 over prime to 8/78; Selling \$20M deb. '98 to repay S/T debt. Results: Jan. Q EPS & div. down 4% to 53c on higher inter. Shares: Hold; EPS sensitive to prime. Listed NYSE 4/24/78.
- 4N-REPUBLIC MTG (RTR 6/10/4-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$51M, 60% non- & 21% low-earn; 79% foreclosed. Mix: 28% land acq. & devel., 19% condo, 13% apts.; 62% Florida. Financing: 3.3 leverage; \$25M credit to 6/30/78 at 3% cash or net cash income, plus contingent inter.; Auto. exten. to 1/79 if \$1.3M repay. made. Results: Dec. Q EPS d38c after 38c loss prov. Dec. FY EPS \$d1.16 after 16c gain. Shares: Trading, spec. recovery
- 3 -RIVIERE REALTY (EVAL 10/27/7-Prop&Mtg.-Dec. FY) Port.: \$24M, 2% nonearning; 2% foreclosed; Mix: 38% apts., 33% office, 15% motel, 39% D.C. area, 51% Ind. Financing: 2.5 leverage, 62% mtgs. on property; \$2.8M secured term loan at 10 1/2% to 3/80; 10% to 3/83. Results: Mar. Q EPS 17c after 4c cap. gain; div. 12 1/2c. Dec. CFS 24c. Shares: Buy/hold more speculative yield.
- 2 -SAN FRANCISCO RE (EVAL 6/17/7-Property-Dec FY) Self-admin. Port.: \$54M, 12% nonearn; 12% foreclosed; Mix: 52% office, most bank occupied; 9% apts. Financing: 0.8 leverage, 98% mtgs. on prop.; Cut bank debt to \$0.5M. Results: Mar. Q EPS 23c; Dec. CFS 35c after 11c int. recovery; Mar. div. 30c. Credit restrictions lifted. Seeking new equity investments. Shares: Buy/hold at 24% below book value.
- 3N-SAUL (B.F) REIT (RTR 4/14/8-Prop&Mtg.-Sep FY) CAN END REIT. Port.: \$272M, 13% non- & 8% low-earn; Mix: 88% property including 35% shop. ctrs., 33% apts.; Financing: 7.5 leverage; \$116M revolver at 125% of prime to 4/30/79; mortgaging properties. Results: Dec. Q EPS d29c; Div. "reasonable expectation" in '79. Bonds & converts: For yield. Shares: Losses narrowing but vulnerable to higher prime; Buy on dips for possible div.



## RELATIVE APPEAL RANKINGS--Continued from page 7

RA--TRUST (Date reviewed Type FY) Portfolio size, % problem status &amp; mix; Financing; Latest EPS results, dividends &amp; advice

- 3N-SECURITY MTG (EVAL 10/27/7-Mtg/Forcl prop-Sep FY) CAN END REIT. Port.: \$134M, 30% non-earn; 25% foreclosed; Mix: 38% one-family home improvement second mtgs., 46% comcl. mtgs., 17% mtgs. on medical facil; Financing: 2.1 leverage; \$38M bank credit at 125% of prime extended to 3/30/79; Results: Mar. Q EPS d21; No div. till 1979 at earliest. Bonds: Attractive for yield, 7% high-yield. Shares: Trading/recovery
- 3N-STATE MUTUAL (EVAL 1/31/8-Mtg/Forcl prop-Mar. FY) NON-QUAL TRUST. Port.: \$58M, 78% non- & low-earn; Mix: 14% hotels, 26% apts.; 22% land. Financing: 1.3 leverage; Sponsor bought \$50M assets reducing sr. debt to \$20M at 2% to 7/79. Results: Mar. Q 4c after 2c gain. Sub. debt tender boosted book value to \$7.74/sh. Bonds: Hold. Shares: Interesting speculation on further recovery.
- 2N-SUMMIT PROP (EVAL 8/26/7-Property-Oct FY) NON-QUAL TRUST. Self-adm. Port.: \$50M, 5% non- & low earn; Mix: 46% shop. ctrs. 13% apartments, 14% truck terminals. Financing: 3.5 leverage. Results: Jan. Q EPS d5c & CFS 17c after 5c cap. gain. FY'78 to be profitable. Shares: Spec. attractive for asset realignment, releasing of vacancies. Big sale called off.
- 2 -SUTRO MTG INV (EVAL 10/27/7-ST mtg.-Mar FY) Port.: \$60M, 14% non- & 28% low-earn; 36% foreclosed; Mix: 23% office, 16% hotel/motel, 23% indust.; Financing: 0.6 leverage; New \$38M credit at .375 over prime to 12/31/78 + 10% + 10%; Results: Mar. Q EPS 20c. Mar FY 82c. New commitments. Div. 22c up 13%. Converts: Safe yield. Shares: Buy for L/T recovery at 39% below book value.
- 2N-TMC INDUSTRIES (RTR 12/22/7-Mtg/Forcl prop-Mar FY) Port.: \$9M non-earning condos in Puerto Rico, \$70M carpet co. assets. Financing: \$1M Neg. equity; Assets pledged; Swapped many assets and cut bank debt to \$5.2M; Results: Dec. Q EPS d14c. Shares: Long-term speculation potential in purchase of carpet co. with borrowed funds; high risk.
- 4N-TEXAS FIRST MTG (RTR 11/12/3-Mtg/Forcl prop-June FY) NON-QUAL TRUST. Self-adm. Port.: \$19M, 73% nonearn; 60% foreclosed; Mix: 37% land, 9% office, 11% one-fam. land; Financing: 0.9 leverage; \$7M bank credit at prime to 9/78, max. 8%, 3% paid in cash; assets pledged; Results: Dec. Q EPS 18c after 15c gain. Discussing merger. Shares: Speculation on Texas land recovery or favorable merger.
- 4N-TIERCO (No review-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$40M, 30% non- & 41% low-earn; 29% foreclosed; Mix: 38% apts., 22% land; heavy Okla. & TX; Financing: 4.2 leverage; \$17M credit at 5% minimum inter. or net cash income plus deferrals, to 6/78; asset swaps. \$2.8M repayment in default 12/31/77. Nego. amendment. Results: Mar. Q EPS 7c. Shares: Spec. recovery on Texas land.
- 3N-TRI-SOUTH MTG (EVAL 4/10/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$124M, 84% nonearning; 63% foreclosed; Mix: 33% land; 27% GA, 17% Tex., 23% Fla.; Financing: 19.0 leverage; bank debt at 4% cash inter. or net cash income; Results: Dec. Q EPS d61c. Bonds: In default; Offering new 10% senior convt. @ 65% of par for 7 3/4s & 50% of par for 7s; initial response low & extended to 5/24. Shares: Spec. on debt
- 2N-UMET TRUST (EVAL 10/27/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Self-adm. Port.: \$132M, 21% nonearn; 74% foreclosed; Mix: 21% condos, 22% apts., 18% shop. ctrs., 19% office; Financing: \$1M neg. equity; \$77M credit to 8/79 at 6% + contingent int.; Results: Feb. Q EPS d50c after 29c gain. Shares: Speculative; selling Cal. shop. ctr. to repay banks; \$2-\$4/sh. interest forgiveness possible in '79.
- 2 -UNITED REALTY (EVAL 1/31/8-LT mtg.-Nov FY) Port.: \$77M, 37% non- & 6% low-earn; 30% foreclosed; Mix: 20% GNMA's (pledged), 24% office, 20% apts.; Financing: 0.1 leverage; Pledged GNMA's to repay banks \$7M; Results: Feb. Q EPS 20c; div. 20c. Made 2 new loans. Placed one large loan on nonaccrual. Shares: Buy at 42% below book value for benefits from gradual problem loan solution
- 2N-US BANCORP TRUST (EVAL 10/27/7-Prop&Mtg.-May FY) Port.: \$49M, 15% nonearn & 12% low; 17% foreclosed; Mix: 57% prop. owned or under construction, most indust., rest office; Financing: 2.3 leverage; \$20M credit to 2/18/79 at 120% prime; Dividends permitted. Results: Feb. Q EPS 11c; CFS 27c. Converts: Low but safe yield. Shares: LT recovery, good equity base, positive cash flow, selling biggest problem.
- 2N-US REALTY INV (RTR 12/9/7-Prop&Mtg.-Dec FY) NON-QUAL TRUST. Port.: \$90M, 17% nonearn & 16% low; Mix: 42% mtgs., 58% owned property, Financing: 5.1 leverage; \$26M at 125% of prime payable at 5 3/4% or cash flow; Results: Dec. Q EPS 5c after 16c gain; CFS 23c after 16c gain. Converts: OK for risk income. Shares: Buy/hold for long-term recovery
- 2 -VIRGINIA RE (EVAL 10/27/7-Prop&Mtg.-Dec FY) Self-adm. Port.: \$38M, 17% foreclosed & nonearning; Mix: 92% property, 8% mtgs.; Financing: 1.9 leverage, 75% mtgs. on property; \$7M bank term loan at 3% over prime extended to Mar. 31, '81; assets pledged. Results: Mar. Q EPS 5c after 3c prepay penalty; Dec. CFS 25c; June div. 15c, up 5c. Shares: Hold/buy for long term recovery plus improved property results.
- 3N-WACHOVIA REALTY (EVAL 4/10/8-Mtg/Forcl prop-Aug FY) Port.: \$110M, 42% nonearn & 28% low; 45% foreclosed; Mix: 12% apts., 19% land & devel., 20% comcl., 11% hotel/motel; Financing: 1.8 leverage; \$60M revolving credit to 7/79 at prime + contingent interest at 125% of prime. Results: Feb. Q EPS d28c. Shares: Speculation on long term recovery, asset disposition.
- 3N-WALTER REALTY (EVAL 10/27/7-Prop&Mtg.-July FY) NON-QUAL TRUST. Port.: \$35M, 71% nonearn; 46% foreclosed; 18% property. Mix: 22% indust., 16% offices; 12% land; 47% Fla. Sold 5 prop. for \$9M. Financing: 3.0 leverage; \$10M credit to 10/78 @ 117% prime; Results: Jan. Q EPS d\$1.17 after 75c loss prov. Shares: Hold for long recovery and benefits of property sales.
- 2 -WASHINGTON REIT (EVAL 8/26/7-Property-Dec FY) Port.: \$32M, no nonearning; Mix: All property, 98% in Washington, D.C. area; 54% high-rise apts., 23% shop. ctrs., 19% distrib.-office. Financing: 0.8 leverage, 84% mtg. debt; 15% bank debt. Results: Dec. Q EPS 48c; CFS 55c; Mar. div. 45c. Shares: Buy/hold for income, top quality assets, condo potential in apts.
- 3 -WELLS FARGO M&E (EVAL 8/26/7-Prop&Mtg.-June FY) Port.: \$185M, 7% non- & 24% low-earn; 15% foreclosed; Mix: 39% apts., 16% development. Financing: 1.9 leverage; Borrows under \$168M open lines backing \$108M commercial paper rated A-2. New commitments. Results: Mar. Q EPS 30c after 3c gain & 5c recovery of past due interest; declared 30c div. for Feb. & May. Shares: Hold for recovery; small interest risk.
- 2N-WESTERN MTG (RTR 12/9/7-ST mtg.-Feb FY) Port.: \$19M, 15% non- & 12% low-earn; 21% foreclosed; Mix: 24% land acq. & devel., 15% apts. Making new commitments. Financing: 1.4 leverage; \$7M revolver at 1/2% over prime, plus \$2M from banks payable over 2 1/2 years. Results: Feb. Q EPS 2c. Feb. FY 93c incl. 89c gains. Shares: Speculative buy for recovery and dividend resumption.
- 2N-WESTPORT CO. (was HNC) (EVAL 1/31/8-Mtg/Forcl prop-Oct FY) NON-QUAL TRUST. Self-adm. Port.: \$92M, 52% non- & 15% low-earn; 52% fore.- 15% operating & held for inv. Mix: 12% condos, 25% land, 12% apts., 17% offices, 12% sports ctrs. Financing: 6.0 leverage, \$57M bank term loan to 8/79 at 2 1/2-5% or net income w/conting. int. to 8%. Results: Jan. Q EPS d3c. New group bought 31% control. Converts: Possible tender. Shares: Speculative buy.
- 2N-WISCONSIN REIT (EVAL 8/26/7-Prop&Mtg.-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$34M, 14% nonearning; Mix: 74% property, 14% construction inventory. Financing: 3.5 leverage, \$23M mtg. debt; \$3M short term. Results: Mar. EPS 1c. Dec. CFS d45c. Bought Fla. homebuilder and developing land; Nego. for Riverside Prop. with \$6M assets. Shares: Spec. on improving trend; Group bought 8.4% of shares

REIT STATUS is shown to indicate whether an entity must pay 90% of taxable earnings as dividends and thus remain qualified for conduit income tax treatment. Three stages in status are shown: VOTING POWER TO END REIT STATUS, when a proposal is pending before shareholders to give trustees discretion over whether to continue to qualify; CAN END REIT STATUS, when shareholders have given trustees power to end qualification; and NON-QUAL TRUST, when trustees have ended qualification and the entity operates as a business trust taxed as a corporation. Trustees of these entities generally have made no decision on whether to requalify and investors should not assume they will requalify and pay dividends even if profits are restored. The 1976 Tax Reform Act imposed some restrictions to requalification.